

**CITY OF CRESCENT  
INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
FOR THE PERIOD  
JULY 1, 2015 THROUGH JUNE 30, 2016**

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**City of Crescent  
Officials  
(Before January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brian Shea	Mayor	January 2016
Jim Beck	Council Member	January 2016
Chuck Hildreth	Council Member	January 2016
Bob Anderson	Council Member	January 2018
Elvis Jacobsen	Council Member	January 2018
Mary Martin	City Clerk	Indefinite
Vicki Overly	Treasurer	Indefinite

**(After January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brian Shea	Mayor	January 2020
Bob Anderson	Council Member	January 2018
Elvis Jacobsen	Council Member	January 2018
Randy Adams	Council Member	January 2020
Chuck Hildreth	Council Member	January 2020
Jack Powers	Council Member	January 2020
Mary Martin	City Clerk	Indefinite
Vicki Overly	Treasurer	Indefinite



Diane McGrain, CPA  
Jim Menard, CPA  
Kelsey Peterson, CPA

Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Honorable Mayor  
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Crescent for the period July 1, 2015 through June 30, 2016. The City of Crescent's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

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6. We reviewed the City's fiscal year 2016 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on financial statements or part thereof. Had we performed additional procedures, or had we performed an audit of the City of Crescent, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Crescent and other parties to whom the City of Crescent may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Crescent during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schroer & Associates, PC*

Schroer and Associates, PC  
November 2, 2016

## **Detailed Recommendations**

City of Crescent  
Detail Recommendations  
For the period July 1, 2015 through June 30, 2016

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording
- (2) Receipts – collecting, depositing, journalizing, and posting.
- (3) Disbursements – responsible for safeguarding checks, check writing, recording, coding and mailing
- (4) Investments – custody and recording transactions
- (5) Payroll – entering rates into the system, recordkeeping, preparing and distributing
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliation – The year end bank reconciliation included an outstanding deposit for a local option sales tax receipt that was a duplicate recording.

Recommendation - The Clerk and Treasurer should review the bank reconciliation outstanding items for validity. Items that are outstanding for more than two months should be reviewed for duplicity.

- (C) Petty Cash – The books reflect a petty cash balance of \$100, but the petty cash drawer maintains only a \$50 cash balance.

Recommendation – The City should correct the records to record the amount that is being held in the drawer.

- (D) Checks Signed in Advance – Certain checks are signed before the check payee and amount are completed

Recommendation – Checks should not be signed in advance



City of Crescent  
Detail Recommendations  
For the period July 1, 2015 through June 30, 2016

- (E) Payroll Transactions – Timesheets did not include evidence of supervisory review.

Recommendation – All time sheets should be reviewed and approved by supervisory personnel prior to payroll processing. Supervisory review/approval should be evidenced by the supervisor's initials and the date approved. Additionally, procedures should be established to ensure approved payroll rates are entered and reviewed by an independent person, with approval being documented.

- (F) Disbursement – We noted one disbursement out of 30 tested was written for more than the amount that was approved by the City Council.

Recommendation – The City should review procedures to ensure all claims are approved by the Council for the same amount as the check that will be written.

- (G) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State, as required.

- (H) Payment of General Obligation Debt – The City paid general obligation notes out of the General Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax must be deposited in the debt service fund."

Recommendation – The City should transfer monies to the Debt Service Fund that are used to fund general obligation bonds. Payments on the bonds should be made from the Debt Service Fund, as required.

- (I) Certified Budget – Disbursements during the year ended June 30, 2016 exceed the amounts budgeted in the public works, culture and recreation, community and economic development and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. A comparison of actual disbursements to budget by function should be provided to the Council monthly.

City of Crescent  
Detail Recommendations  
For the period July 1, 2015 through June 30, 2016

- (J) Urban Renewal Annual Report – The urban renewal annual report was approved and was certified to the Iowa Department of Management on or before December 1. However, the beginning debt was overstated by \$57,751.

Recommendation – The City should reconcile the report with the City records.

- (K) Annual Financial Report – We assisted the Clerk in correcting her annual report to reconcile with the financial records.

Recommendation – The City should establish procedures to ensure beginning and ending balances of the AFR are accurate and supported by the City's financial records. An independent review of the annual report to the City's records should be done.

- (L) City Code – In accordance with Chapter 380.8(2) of the Code of Iowa, at least once every five years, a City shall compile a City Code containing all of the city ordinances in effect except trade, bond and zoning ordinances, and ordinances vacating streets and alleys. The City has not re-codified its City Ordinances in more than five years.

Recommendation – The City should re-codify the City Ordinances.

- (M) Deficit Fund Balance – At June 30, 2016, the Special Revenue, Road Use Tax Fund had a deficit balance of \$6,579.

Recommendation – The City should investigate alternatives to eliminate the deficit in order to return this fund to a sound financial position.